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# Students' Department

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## AMERICAN INSTITUTE EXAMINATIONS

[NOTE.—The fact that these solutions appear in THE JOURNAL OF ACCOUNTANCY should not cause the reader to assume that they are the official solutions of the board of examiners. They represent merely the opinions of the editor of the *Students' Department.*]

### EXAMINATION IN ACCOUNTING THEORY AND PRACTICE—PART I

May 11, 1933, 1:30 P. M. to 6:30 P. M.

*The candidate must answer the first three questions and one other question.*

No. 2 (32 points):

In order to obtain a controlled source of crude oil to augment its own small production, the X Refining Corporation purchased the entire outstanding capital stock of the K O Producing Company. The latter company had developed several prolific wells in a pool area, and the owners were looking for a market for the oil. To finance the purchase of the subsidiary, the refining corporation sold $600,000 of 7 per cent. preferred stock and paid cash for the capital stock of the producing company.

At December 31, 1930, you are engaged to submit a report covering the operations for the year 1930. On the basis of information furnished herewith prepare

(1) Consolidating balance-sheet as at December 31, 1930.
(2) Consolidating profit-and-loss statement for the year 1930.
(3) Consolidated surplus account for the year 1930.

Trial-balances (per books), December 31, 1930

| | X Refining Corp. | K O Producing Company |
|---|---|---|
| Asset accounts: | | |
| Cash | $ 110,000 | $ 24,392 |
| Accounts receivable | 125,370 | 42,600 |
| Inventories | 75,640 | 5,762 |
| Refinery and other property (cost) | 1,007,391 | |
| Oil property— | | |
| Lease cost | | 1,000 |
| Development expense | | 144,328 |
| Equipment on lease | | 25,541 |
| Other assets | 32,000 | 31,000 |
| Investment in K O capital stock | 719,500 | |
| | $2,069,901 | $274,623 |
| Liability accounts: | | |
| Notes payable—banks | $ 150,000 | $ |
| Accounts payable | 113,689 | 10,705 |
| Accrued items | 15,104 | 2,827 |
| Reserves for depletion and depreciation | 202,321 | |
| Preferred stock—7 per cent | 600,000 | |
| Common stock— | | |
| 80,000 shares of $10 each | 800,000 | |
| 10,000 shares of no par value | | 100,000 |
| Surplus balance | 188,787 | 161,091 |
| | $2,069,901 | $274,623 |

Investment account in K O stock

| | | |
|---|---|---|
| Shares bought: | | |
| December 10, 1929 | 4,900 @ $75 | $367,500 |
| December 28, 1929 | 1,000 @ 65 | 65,000 |
| January 15, 1930 | 4,100 @ 70 | 287,000 |
| | 10,000 | $719,500 |

For practical purposes, the date of acquisition was December 31, 1929, and may be so considered in this problem.

X Refining Corporation
Profit-and-loss account (per books)

| | Year 1929 | Year 1930 |
|---|---|---|
| Operating revenue | $932,609 | $865,392 |
| Operating and general expenses | 765,503 | 775,255 |
| | $167,106 | $ 90,137 |
| Depreciation and depletion | $ 79,886 | $ 82,401 |
| Net operating income | $ 87,220 | $ 7,736 |
| Dividends received on K O stock | 24,500 | 250,000 |
| Net profit | $111,720 | $257,736 |
| Dividends paid on preferred stock | | $ 42,000 |
| Dividends paid on common stock | $ 80,000 | 120,000 |
| | $ 80,000 | $162,000 |
| Net revenue—to surplus | $ 31,720 | $ 95,736 |
| Opening surplus | 61,331 | 93,051 |
| Closing surplus | $ 93,051 | $188,787 |

K O Producing Company
Profit-and-loss account (per books)
(Operations commenced January, 1928)

| | Year 1928 | Year 1929 | Year 1930 |
|---|---|---|---|
| Barrels of oil produced | 101,330 | 398,742 | 528,067 |
| Oil sales | $152,309 | $477,822 | $573,112 |
| Operating and general expenses | 136,103 | 271,597 | 284,452 |
| | $ 16,206 | $206,225 | $288,660 |
| Provision for depletion | | | |
| Net income | $ 16,206 | $206,225 | $288,660 |
| Dividends paid—June 15th | | $50,000 | $100,000 |
| Dividends paid—December 15th | | 50,000 | 150,000 |
| | $ | $100,000 | $250,000 |
| Net revenue—to surplus | $ 16,206 | $106,225 | $ 38,660 |
| Opening surplus | | 16,206 | 122,431 |
| Closing surplus | $ 16,206 | $122,431 | $161,091 |

GENERAL INFORMATION AND REMARKS

The oil reserves (recoverable oil underground) of the K O Producing Company were estimated, by reliable geologists, to be 1,407,600 bbls. at December 31, 1930.

No depletion has ever been provided in the accounts of the K O Producing Company.

For the sake of simplification, assume that no capital additions have been made in the period under audit.

Inter-company sales, during 1930, amounted to $373,408. Inter-company profit remaining in inventories is nominal and may be ignored.

Disregard federal-income-tax features.

*Solution:*

To correctly state the profits and surplus of the K O Producing Company, it will be necessary to compute the depletion and depreciation charges on the fixed assets, as follows:

| | | Barrels |
|---|---|---|
| Oil reserves, January 1, 1928: | | |
| Oil reserves, as estimated, at December 31, 1930 | | 1,407,600 |
| Production for the years: | | |
| 1928 | 101,330 | |
| 1929 | 398,742 | |
| 1930 | 528,067 | 1,028,139 |
| Total | | 2,435,739 |
| Property cost: | | |
| Lease cost | $ 1,000 | |
| Development expense | 144,328 | |
| Equipment on lease | 25,541 | |
| Total | | $ 170,869 |

(NOTE.—Nothing being stated to the contrary, the equipment on lease is depreciated on the basis of production.)

Cost per thousand barrels is, therefore, $170,869 ÷ 2,435,739 bbls. or $70.15.

The adjustment for depletion and depreciation follows:

| | Barrels | Amount |
|---|---|---|
| Chargeable to surplus, January 1, 1930: | | |
| Production: | | |
| 1928 | 101,330 | |
| 1929 | 398,742 | |
| Total | 500,072 | $35,080 |
| Chargeable to profit and loss, 1930: | | |
| Production | 528,067 | 37,044 |
| Total for the three years | 1,028,139 | $72,124 |

As the K O Producing Company, for practical purposes, was acquired on December 31, 1929, the dividend of $24,500 received from it during 1929 by the X Refining Company should be treated by that company as a reduction of the cost of its investment. The adjustment would be:

| | | |
|---|---|---|
| Surplus | $24,500 | |
| Investment in K O capital stock | | $24,500 |
| To transfer the dividend received, which was a reduction of the cost of the investment rather than income. | | |

This adjustment affects both the computation of the goodwill arising from the purchase of the stock of the K O Producing Company, and the consolidated surplus.

The computation of the goodwill arising from the purchase of the K O Producing Company follows:

| | | |
|---|---|---|
| Cost of stock, as of January 1, 1930 | $719,500 | |
| *Less*—dividends received, December 1929 | 24,500 | |
| Adjusted cost of stock | | $695,000 |
| Net worth of the K O Producing Company as at January 1, 1930: | | |
| Capital stock | $100,000 | |
| Surplus—per books $122,431 | | |
| *Less*—accrued depletion 35,080 | 87,351 | |
| Adjusted net worth | | 187,351 |
| Goodwill arising from purchase | | $507,649 |

This "goodwill" of $507,649, when contrasted with the K O Producing Company's net assets of only $187,351, indicates very clearly that the value of the company's oil reserves is far in excess of their book cost. From the standpoint of the consolidated group, this $507,649 may be considered as representing additional cost of the oil properties. Furthermore, the oil will be exhausted in less than three years at the 1930 rate of production. For these reasons it is necessary to write off this $507,649 property premium against the income from the oil property, on the basis of barrels of oil produced.

If this is not done, the income of the consolidated group will be overstated for the next three years. Then, when all of the oil has been extracted, the premium of $507,649 will remain on the books, a worthless asset.

The charge to 1930 income for amortization of this property premium is computed as follows:

| | |
|---|---|
| Oil reserves, January 1, 1930 (1,407,600 plus 528,067) | 1,935,677 barrels |
| Property premium | $507,649 |
| Premium per 1,000 barrels | $262.26 |
| Premium chargeable to 1930 (528.067 x $262.26) | $138,491 |

The following consolidated statement of profit and loss has been prepared from the separate profit-and-loss statements given in the problem, after giving effect to (1) the inter-company sales and purchases of $373,408, (2) the adjustment for depletion and depreciation of $37,044 shown above, and (3) the amortization of property premium.

It must be assumed, in making the elimination for the inter-company sales, that "operating revenue" represents sales, and not gross profit.

X Refining Corporation

Consolidated statement of profit and loss, year ended December 31, 1930

| | X Refining Corporation | K O Producing Company | Adjustments and eliminations | Consolidated |
|---|---|---|---|---|
| Oil sales and operating revenue | $865,392 | $573,112 | $373,408* | $1,065,096 |
| Operating and general expenses | 775,255 | 284,452 | 373,408* | 686,299 |
| Net profit before depreciation and depletion | $ 90,137 | $288,660 | $ | $ 378,797 |
| Depreciation and depletion | 82,401 | 37,044 | 138,491 | 257,936 |
| Net profit (before federal income tax) | $ 7,736 | $251,616 | $138,491 | $ 120,861 |

X Refining Corporation

Statement of consolidated surplus for the year ended December 31, 1930

| | | |
|---|---|---|
| Balance, January 1, 1930 | $ 93,051 | |
| *Less*—adjustment for dividend received from K O Producing Company, December, 1929 | 24,500 | |
| Adjusted balance, January 1, 1930 | | $ 68,551 |
| Consolidated profits for the year 1930 | | 120,861 |
| Total | | $189,412 |
| Dividends paid: | | |
| Preferred | $ 42,000 | |
| Common | 120,000 | 162,000 |
| Balance, December 31, 1930 | | $ 27,412 |

The consolidated balance-sheet which follows was prepared without working papers. The reciprocal accounts, i.e., the investment account on the books of the X Refining Corporation and the capital stock and surplus accounts of the K O Producing Company were eliminated, and the property premium and reserves for depreciation and depletion as computed above were taken up. The amounts in the other accounts in the balance-sheet were obtained by cross-adding like accounts on the face of the problem.

X Refining Corporation and Subsidiary

Consolidated balance-sheet, December 31, 1930

*Assets*

| | | |
|---|---|---|
| Current assets: | | |
| Cash | $134,392 | |
| Accounts receivable | 167,970 | |
| Inventories | 81,402 | |
| Total current assets | | $ 383,764 |

| | | | |
|---|---|---|---|
| Fixed assets: | | | |
| Refinery and other property (cost) | $1,007,391 | | |
| Reserves for depletion and depreciation | 202,321 | | |
| | | $805,070 | |
| Oil property: | | | |
| Lease cost | $ 1,000 | | |
| Development expense | 144,328 | | |
| Equipment on lease | 25,541 | | |
| Total | $ 170,869 | | |
| Reserves for depletion and depreciation | 72,124 | 98,745 | |
| Total fixed assets | | | $ 903,815 |
| Premium on oil property | | $507,649 | |
| *Less*—amortization | | 138,491 | |
| Net book value | | | 369,158 |
| Other assets | | | 63,000 |
| | | | $1,719,737 |

*Liabilities and Net Worth*

| | | | |
|---|---|---|---|
| Current liabilities: | | | |
| Notes payable—banks | | $150,000 | |
| Accounts payable | | 124,394 | |
| Accrued items | | 17,931 | |
| Total current liabilities | | | $ 292,325 |
| Net worth: | | | |
| Preferred stock, 7%, 6,000 shares | | $600,000 | |
| Common stock, 80,000 shares | | 800,000 | |
| Surplus | | 27,412 | |
| Total net worth | | | 1,427,412 |
| | | | $1,719,737 |

No. 3 (17 points):

From the following data submit, in detail and in total, the value, at cost, of the closing inventory. If there is any inconsistency with regard to the selling prices of the several sizes, state your explanation.

During a certain period, a plate-glass factory cast and rolled about 850,000 square feet of glass. The product, after cutting up in order to eliminate defects, was priced for sale as follows:

| | | | | | | |
|---|---|---|---|---|---|---|
| Size | No. 1 | 28 | cents | per | square | foot |
| " | " 2 | 24 | " | " | " | " |
| " | " 3 | 22 | " | " | " | " |
| " | " 4 | 20 | " | " | " | " |
| " | " 5 | 14 | " | " | " | " |
| " | " 6 | 5 | " | " | " | " |

Any product below No. 6 was returned to process and remelted.

As may be seen, the selling price for a given quality varied with the size, the largest perfect sheets selling for the highest price per square foot.

The total cost of materials, manufacture, grinding, polishing, cutting and sorting, including factory expense, was $120,807.

The inventories—in square feet—were

| | Opening | Closing |
|---|---|---|
| Size No. 1 | 10,000 | 12,860 |
| " " 2 | | 11,000 |
| " " 3 | 10,000 | 23,000 |
| " " 4 | | 6,000 |
| " " 5 | | |
| " " 6 | | 2,000 |

The sales—at list selling prices—were

| | |
|---|---|
| Size No. 1 | $30,240 |
| " " 2 | 36,480 |
| " " 3 | 35,376 |
| " " 4 | 21,100 |
| " " 5 | 9,030 |
| " " 6 | 2,300 |

*Solution:*

The production in square feet for the year of the different sizes of plate-glass appearing in the closing inventory is shown on the following page.

From the computation, it will be seen that the production of 671,660 square feet is considerably less than the stated amount (850,000 square feet) cast and rolled during the year. It must be assumed that this difference was "below No. 6" and was returned to process and remelted. It must further be assumed that the cost of materials, manufacture, grinding, polishing, cutting and sorting, including factory expense was credited with the cost of the material which was returned for casting and rolling in arriving at the cost of $120,807.

Ignoring the factor of grades or selling prices, the cost per square foot of the glass produced during the year would be ($120,807 ÷ 671,660) or $.1798633. On the basis of this cost, the selling price of size 1 results in a gross profit of 10 cents per square foot and the selling price of grade 6, a gross loss of 13 cents per square foot. The inventory by sizes, follows:

Closing inventory—at $.1798633 per square foot

| Size | Square feet | Cost |
|---|---|---|
| 1 | 12,860 | $2,313.04 |
| 2 | 11,000 | 1,978.50 |
| 3 | 23,000 | 4,136.86 |
| 4 | 6,000 | 1,079.18 |
| 5 | | |
| 6 | 2,000 | 359.73 |
| Total | 54,860 | $9,867.31 |

A better method, which is generally recognized, would be to allocate the cost to the various sizes on the basis of the selling prices, as shown on p. 142.

Computation of square feet produced, by sizes

| Size | Sales | | | Closing inventory | Opening inventory | Production |
|---|---|---|---|---|---|---|
| | Amount | Unit price | Quantity | | | |
| 1 | $ 30,240 | $ .28 | 108,000 sq. ft. | 12,860 sq. ft. | 10,000 sq. ft. | 110,860 sq. ft. |
| 2 | 36,480 | .24 | 152,000 | 11,000 | | 163,000 |
| 3 | 35,376 | .22 | 160,800 | 23,000 | 10,000 | 173,800 |
| 4 | 21,100 | .20 | 105,500 | 6,000 | | 111,500 |
| 5 | 9,030 | .14 | 64,500 | | | 64,500 |
| 6 | 2,300 | .05 | 46,000 | 2,000 | | 48,000 |
| Total | $134,526 | | 636,800 sq. ft. | 54,860 sq. ft. | 20,000 sq. ft. | 671,660 sq. ft. |

Computation of unit costs of sizes based upon selling prices

| Size | Production | Sales price | Production at sales price | Ratio to total | Total cost in same ratio | Unit cost |
|---|---|---|---|---|---|---|
| 1 | 110,860 sq. ft. | $ .28 | $ 31,040.80 | 21.8% | $ 26,335.93 | $ .2375 |
| 2 | 163,000 | .24 | 39,120.00 | 27.5 | 33,221.92 | .2038 |
| 3 | 173,800 | .22 | 38,236.00 | 26.9 | 32,497.08 | .1870 |
| 4 | 111,500 | .20 | 22,300.00 | 15.7 | 18,966.70 | .1701 |
| 5 | 64,500 | .14 | 9,030.00 | 6.4 | 7,731.65 | .1200 |
| 6 | 48,000 | .05 | 2,400.00 | 1.7 | 2,053.72 | .0428 |
| Total | 671,660 sq. ft. | | $142,126.80 | 100.0% | $120,807.00 | |

Computation of closing inventory

| Size | Square feet | Per square foot | Total |
|---|---|---|---|
| 1 | 12,860 | $ .2375 | $ 3,054.25 |
| 2 | 11,000 | .2038 | 2,241.80 |
| 3 | 23,000 | .1870 | 4,301.00 |
| 4 | 6,000 | .1701 | 1,020.60 |
| 5 | | .1200 | |
| 6 | 2,000 | .0428 | 85.60 |
| Total | 54,860 | | $10,703.25 |

The computation on the preceding page may be shortened somewhat in the following manner. After the production in square feet and the sales price of the production have been ascertained, the ratio of the cost of production to the sales price can be determined. This ratio ($120,807 ÷ $142,126.80) of .8499+ may then be applied to the separate selling prices of the various sizes to determine the cost, as follows:

| Size | Sales price | Cost |
|---|---|---|
| 1 | $ .28 | $ .2380 |
| 2 | .24 | .2040 |
| 3 | .22 | .1870 |
| 4 | .20 | .1700 |
| 5 | .14 | .1190 |
| 6 | .05 | .0425 |

The closing inventory, based on these costs, follows:

| Size | Square feet | Cost per square foot | Total |
|---|---|---|---|
| 1 | 12,860 | $ .2380 | $ 3,060.68 |
| 2 | 11,000 | .2040 | 2,244.00 |
| 3 | 23,000 | .1870 | 4,301.00 |
| 4 | 6,000 | .1700 | 1,020.00 |
| 5 | | .1190 | |
| 6 | 2,000 | .0425 | 85.00 |
| Total | 54,860 | | $10,710.68 |

No. 4 (14 points):

From the following data, prepare entries for the corporation's books to record all exchange transactions, the exchange position, and profits realized. Show, also, what the result would have been had the exchange risk not been covered.

A United States Corporation, owning the entire capital stock of a foreign company, sells its raw material to this company at cost. From this raw material the foreign company manufactures a certain product which it sells exclusively in its own country. It pays for the raw material bought, and remits the net profits as soon as they are realized in cash.

The unit of this foreign currency is the crown, worthy sixty cents at par of exchange.

The rate of exchange declining, the customary measures are taken by the U. S. corporation to guard against exchange losses. These measures consist, principally, of selling forward the foreign currency to be collected. For this reason and purpose, the company's costs and expenses, as well as the proceeds from its sales, must necessarily be determined as nearly as possible in advance.

Crowns are freely bought and sold in the U. S., there being no restriction by the foreign government on the transfer of domestic funds to other countries.

On October 1st, when the crown was selling at 30, the U. S. corporation shipped raw material which cost $30,000 and billed the foreign company for the equivalent of 100,000 crowns, payable December 30th.

It was estimated that all manufacturing, selling, administration and other expenses applicable to this venture would be 120,000 crowns and that the product would be all sold by December 30th for 250,000 crowns. The estimate proved to be correct with one exception, viz:—the goods were actually sold and delivered by December 30th for 255,000 crowns, spot cash, f. o. b. factory.

The rate of exchange had, in the meantime, fallen to 20.

*Solution:*

| | | | |
|---|---|---|---|
| October 1st: | | | |
| Foreign company | | 30,000 | |
| Inventory (sales to foreign subsidiary) | | | 30,000 |
| To record shipment of raw materials at cost to foreign subsidiary—payment to be made December 30th. | | | |
| Due from exchange broker | | 39,000 | |
| Liability on exchange sold | | | 39,000 |
| To record the sale of 130,000 crowns at 30, delivery to be made on December 30th, against the expected remittance upon collection of sale: | | | |
| Sales price | $250,000 | | |
| Expenses | 120,000 | | |
| Remittance | $130,000 | | |
| December 30th: | | | |
| Foreign company | | 10,000 | |
| Profit on sales of foreign company | | | 10,000 |
| To record the profit on the sales of the foreign company as reported below. | | | |
| Cash | | 1,000 | |
| Liability on exchange sold | | 39,000 | |
| Foreign company | | | 30,000 |
| Foreign company | | | 10,000 |
| To record the receipt of exchange from the foreign company: | | | |
| 130,000 crowns delivered at 30 against short sale of October 1st | | | |
| 5,000 crowns sold at current market—20 | | | |
| 135,000 | | | |

| | | |
|---|---|---|
| Cash | $39,000 | |
| Due from exchange broker | | $39,000 |

To record the receipt of cash from the broker for exchange sold on October 1st and delivered this date (expenses and commissions incident to the sale would be deducted by the broker at this time and recorded).

The computation of the profit follows:

| | Crowns | Rate | Dollars |
|---|---|---|---|
| Expected profit: | | | |
| Sales price | 250,000 | | |
| Materials and expenses | 220,000 | | |
| Expected profit | 30,000 | .30 | $ 9,000 |
| Additional profit: | | | |
| Actual sales price | 255,000 | | |
| Estimated sales price | 250,000 | | |
| Additional profit | 5,000 | .20 | 1,000 |
| Total | 35,000 | | $10,000 |

If there had been no future sale of exchange, there would have been a loss on the transaction of $3,000, as follows:

| | |
|---|---|
| Cost of merchandise shipped to foreign company | $30,000 |
| Value of crowns received therefor: | |
| 135,000 crowns at 20 | 27,000 |
| Loss | $ 3,000 |

The loss may be further analyzed as follows:

| | |
|---|---|
| Profit of foreign company, as computed above | $10,000 |
| Loss that should have been averted by exchange transaction: | |
| 130,000 crowns at 10 points (30–20) | 13,000 |
| Loss | $ 3,000 |

No. 5 (14 points):

An excerpt from the certificate of incorporation of a certain corporation reads as follows:

"So long as five thousand (5,000) or more shares of $7 cumulative preferred stock shall be outstanding the company shall not pay or declare any dividends in cash or property on any of its outstanding shares (exclusive of the cumulative dividends on outstanding shares of $7 cumulative preferred stock) unless the company shall have, out of its net profits or out of its net assets in excess of its capital, purchased and canceled or redeemed an aggregate number of its $7 cumulative preferred stock equal to the sum of the number of shares hereinafter designated for such purchase or redemption in respect of the calendar year in which such dividend payment is made and also in respect of each previous

calendar year subsequent to the calendar year 1927. The number of shares of $7 cumulative preferred stock designated for purchase or redemption in respect of each calendar year for the purposes of the foregoing calculation shall be one-half of that number of shares arrived at by dividing the total number of shares of $7 cumulative preferred stock outstanding on the first day of January of such calendar year by the number of full calendar years which will elapse between the first day of January (such day being included) of the calendar year in respect of which such determination is made and January 1, 1943."

There were 10,000 shares of preferred stock outstanding at January 1, 1928. No shares were subsequently sold and the company acquired preferred stock as follows:

| | | |
|---|---|---|
| In the year | 1929..... | 750 shares |
| " " " | 1930..... | 713 " |
| " " " | 1931..... | 526 " |

How many shares of preferred stock will have to be acquired in 1932 and in 1933 to permit the company to pay a dividend in each of those years on its common stock?

Submit your answer in tabular form.

*Solution:*

The solution of this problem hinges on the interpretation of the second sentence: "the number of shares . . . designated for redemption in respect of each calendar year . . . shall be" a varying fraction of the shares of preferred stock outstanding at the beginning of that calendar year.

Does this sentence merely set a requirement for each year, which requirement may be satisfied in advance? Or, does this sentence imply that a certain fraction of the shares actually outstanding at the first of the year must be purchased during the year?

In support of the first contention it may be stated that the words "during the year" do not appear anywhere in the certificate; further, if the company is permitted to make good back requirements, why should it not be able to anticipate future requirements, even though the amount thereof may not be definitely known?

In support of the second contention, it may be argued that the year's requirements can not be determined exactly until the first of the year; therefore it seems anomalous that these requirements can be met in advance.

Because of the phraseology employed, the following solution has been prepared on the two bases. (In actual practice, the company's attorney should be asked to interpret this provision.)

(1) As long as the company's aggregate purchases at the close of any calendar year equal the aggregate requirements to date, the company may pay common dividends, whether or not it has made any purchases during the current year.

(1) Table showing preferred stock redemption requirements, shares redeemed or to be redeemed, and excess of redemptions over requirements, by years.

| Current year | Years to January 1, 1943 | Fraction | Shares outstanding at beginning of year | Redemption requirements | | Shares redeemed or to be redeemed | | Excess of redemptions over requirements |
|---|---|---|---|---|---|---|---|---|
| | | | | Annual | Accumulated | Annual | Accumulated | |
| 1928 | 15 | 1/30 | 10,000 | 333 | 333 | | | *333* |
| 1929 | 14 | 1/28 | 10,000 | 357 | 690 | 750 | 750 | 60 |
| 1930 | 13 | 1/26 | 9,250 | 356 | 1,046 | 713 | 1,463 | 417 |
| 1931 | 12 | 1/24 | 8,537 | 356 | 1,402 | 526 | 1,989 | 587 |
| 1932 | 11 | 1/22 | 8,011 | 364 | 1,766 | | 1,989 | 223 |
| 1933 | 10 | 1/20 | 8,011 | 401 | 2,167 | 178 | 2,167 | |

Fractions over one-half are considered as full shares; fractions under one-half are disregarded.
On this basis, the required purchases would be:

1932 ..... none
1933 ..... 178 shares

(2) The current year's requirements, plus all unsatisfied back requirements, must be purchased each year. Purchases, in excess of annual requirements may not be applied in satisfaction of the requirements of subsequent years.
On this basis, the required purchases would be:

1932 ..... 364 shares
1933 ..... 382 shares

Table showing preferred stock redemption requirements, shares redeemed or to be redeemed, and excess of redemptions over requirements, by years.

| Current year | Years to January 1, 1943 | Fraction | Shares outstanding at beginning of year | Redemption requirements | | Shares redeemed or to be redeemed | | Excess of redemptions over requirements |
|---|---|---|---|---|---|---|---|---|
| | | | | Annual | Accumulated | Annual | Accumulated | |
| 1928 | 15 | 1/30 | 10,000 | 333 | 333 | | | *333* |
| 1929 | 14 | 1/28 | 10,000 | 357 | 690 | 750 | 750 | 60 |
| 1930 | 13 | 1/26 | 9,250 | 356 | 1,046 | 713 | 1,463 | 417 |
| 1931 | 12 | 1/24 | 8,537 | 356 | 1,402 | 526 | 1,989 | 587 |
| 1932 | 11 | 1/22 | 8,011 | 364 | 1,766 | 364 | 2,353 | 587 |
| 1933 | 10 | 1/20 | 7,647 | 382 | 2,148 | 382 | 2,735 | 587 |

Fractions over one-half are considered as full shares; fractions under one-half are disregarded.